

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 L-03 H-02 NSC-05 CIAE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 AGR-05 STR-04

COME-00 ITC-01 TRSE-00 CEA-01 CIEP-01 OMB-01 OIC-02

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R 301708Z APR 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1455

INFO AMEMBASSY GUATEMALA CITY

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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H PASS CODEL

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: TROPICAL PRODUCT CONSULTATION - CENTRAL AMERICA

REF: 75 MTN GENEVA 9324

1. SUMMARY: IN BILATERAL TROPICAL PRODUCTS (TP)
CONSULTATION WITH CENTRAL AMERICAN COMMON MARKET
(CACM) DELEGATIONS, US MTN DEL ELABORATED ON ITS
MARCH 1 OFFER TO NEGOTIATE MFN TARIFF CONCESSIONS
IN TP GROUP AND PRESENTED CACM DELS WITH LIST OF
CONTRIBUTIONS TO TP NEGOTIATIONS US IS SEEKING
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FROM CACM. CACM DELS EXPRESSED DISAPPOINT-

MENT THAT US OFFER DID NOT INCLUDE MORE PRODUCTS OF EXPORT INTEREST TO CENTRAL AMERICAN COUNTRIES AND REQUESTED US TO RECONSIDER OFFER WHICH IS OF MARGINAL INTEREST TO THEM. CACM DEL NOTED, HOWEVER, THAT CENTRAL AMERICAN CONTRIBUTIONS TO TP GROUP NEGOTIATIONS WERE NOT EXCLUDED, BUT WOULD BE EASIER TO DO IF US OFFER WERE MORE SUBSTANTIAL. END SUMMARY.

2. ELABORATION OF US TP OFFER - US MTN DEL (GRAEF ET AL) HELD BILATERAL CONSULTATION WITH CACM DELEGATIONS AND SIEC REPRESENTATIVE RODAS APRIL 29 IN CONTEXT OF CURRENT ROUND OF BILATERAL TP CONSULTATIONS. US MTN DEL NOTED THAT TOTAL VALUE TO CACM COUNTRIES OF US TP OFFER WAS \$20.8 MILLION IN 1974 TRADE VALUES. US DEL NOTED US WAS MAKING MFN OFFERS ON TEN OF SIXTY PRODUCTS ON REVISED CACM TP REQUEST LIST. (LIST WAS REVISED AFTER US GSP PRODUCT LIST WAS PUBLISHED. US DEL MTN GENEVA A-44.) BASED ON INITIAL CACM TP REQUEST LIST, HOWEVER, OF 101 PRODUCTS, US WAS MAKING MFN OFFERS ON 27 AND NOTED THAT 24 OTHERS HAD BEEN INCLUDED IN THE US GSP. US DEL INDICATED THAT ON TSUS 125.80, LIVE PLANTS, AN EX-OUT WAS BEING OFFERED BASED ON PRODUCTS REQUESTED BY THE CENTRAL AMERICAN COUNTRIES. US DEL ALSO NOTED POTENTIAL LONG-RUN BENEFIT OF SEASONAL CONCESSIONS OFFERED ON CANTELOPES AND WATERMELONS, PRODUCTS IN WHICH THERE WAS SUBSTANTIAL US PRODUCTION. US DEL INDICATED IT WAS OFFERING MFN TARIFF REDUCTIONS, WHICH US INTENDS TO BIND. BINDING, HOWEVER, RELATED TO IMPLEMENTATION, A SUBJECT ON WHICH THE US HAS NO POSITION AT THIS BEGINNING STAGE OF THE NEGOTIATIONS. US DEL INDICATED THERE WERE SEVERAL PRODUCTS ON ITS OFFER LIST ON WHICH, GIVEN DOMESTIC SENSITIVITIES, MEANINGFUL CONTRIBUTIONS FROM DEVELOPING COUNTRIES WOULD BE NEEDED IN ORDER FOR THE US TO BIND DUTY REDUCTIONS TO ZERO. US DEL ALSO OBSERVED THAT NON-OFFER ON A REQUESTED PRODUCT DID NOT IMPLY THAT THE PRODUCT NON-NEGOTIABLE IN THE MTN. HE INDICATED, HOWEVER, THAT ON PRODUCTS SUCH AS TOBACCO, LIMITED OFFICIAL USE

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THERE WERE PROCEDURES ESTABLISHED IN OTHER MTN GROUPS UNDER WHICH NEGOTIATIONS COULD BE MORE APPROPRIATELY UNDERTAKEN.

3. CACM DELS INITIAL RESPONSE TO US TP OFFER - CACM DELS EXPRESSED KEEN DISAPPOINTMENT WITH "MARGINAL" US TP OFFER. NOTING US HAD MADE OFFERS ON ONLY ABOUT A SIXTH OF THEIR FINAL REQUESTS,

THEY BELIEVED US OFFER WAS VERY LOW COMPARED TO VOLUME OF TRADE IN CACM REQUESTS, AND THE SIZE OF THEIR TRADE. THEY WERE PARTICULARLY DISAPPOINTED THAT OFFERS WERE NOT MADE ON SUCH KEY REQUESTED PRODUCTS AS SUGAR AND TOBACCO. THEY NOTED THAT THE \$20.8 MILLION TRADE COVERAGE FIGURE INCLUDED MANY PRODUCTS WHICH CACM HAD NOT REQUESTED AND THAT ONE PRODUCT, MOLASSES, ACCOUNTED FOR MORE THAN HALF OF THE US ESTIMATED TRADE VALUE. CACM DELS ALSO EXPRESSED CONCERN WITH GSP COMPETITIVE NEED EXCLUSIONS. THEY NOTED THAT BECAUSE OF COMPETITIVE NEED, THREE CACM COUNTRIES (COSTA RICA, SALVADOR AND NICARAGUA) WERE EXCLUDED FROM GSP ON SUGAR, TSUS 155.20, AND THAT HONDURAS WAS EXCLUDED ON 152.72, BANANAS AND PLANTAIN, PASTE AND PULP. CACM DELS ASKED IF US COULD CONSIDER IMPROVING ITS OFFER, TO MAKE IT OF MORE INTEREST TO THEM. US MTN DEL RESPONDED THAT COMPETITIVE NEED LIMITATIONS WERE IN US LAW AND NOT SUBJECT TO NEGOTIATION. US MTN DEL NOTED THAT WHILE US OFFER WAS NOT FINAL, IT HAD BEEN THE RESULT OF EXTENSIVE CONSULTATIONS AND WOULD BE VERY DIFFICULT TO IMPROVE. SIMILARLY US DEL OBSERVED THAT FOR CURRENT OFFER TO BE FULLY EXECUTED DEVELOPING COUNTRY CONTRIBUTIONS WOULD BE NEEDED, AND EXPRESSED APPRECIATION THE CACM DELS DID NOT RULE THIS OUT.

4. PRESENTATION OF CONTRIBUTIONS US IS SEEKING FROM CACM - US DEL PRESENTED CACM DELS WITH CONFIDENTIAL NEGOTIATING LIST PREPARED BY WASHINGTON AGENCIES OF ELEVEN PRODUCTS ON WHICH THE US IS SEEKING A REDUCTION OF THE CACM COMMON EXTERNAL LIMITED OFFICIAL USE

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TARIFF BY 50 PERCENT. US DEL NOTED THAT IN KEEPING WITH PARA 5 OF THE TOKYO DECLARATION, IT WAS NOT SEEKING FULLY RECIPROCAL CONCESSIONS, HENCE THE TRADE VALUE OF CONTRIBUTIONS REQUESTED WAS CONSIDERABLY LESS THAN THE US OFFER. US DEL EMPHASIZED LIST OF REQUESTED CONTRIBUTIONS WAS NOT A SHOPPING LIST, BUT THAT US DEL REALIZED THAT WE WERE INVOLVED IN A NEGOTIATION AND WOULD WELCOME THEIR FRANK APPRAISAL.

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5. CACM DELS INITIAL RESPONSE TO US REQUEST FOR CONTRIBUTIONS - CACM DELS BELIEVED CACM COUNTRIES HAD ALREADY MADE IMPORTANT CONTRIBUTIONS TO TRADE LIBERALIZATION, CLAIMING THAT THEIR COUNTRIES MAINTAIN NO QUOTAS, LICENSING REQUIREMENTS OR OTHER IMPORT RESTRAINTS, HAVING ONLY A COMMON EXTERNAL TARIFF, WHICH DID NOT DISCRIMINATE AGAINST US TRADE. CACM DELS SAID THEIR COUNTRIES DID NOT EXCLUDE THE POSSIBILITY OF MAKING CONTRIBUTIONS. THEY WERE NOT SURE, HOWEVER, IF IT WAS WORTH MAKING A MAJOR EFFORT OF CONVINCING THEIR GOVERNMENTS AND THEIR PUBLIC TO MAKE CONTRIBUTIONS TO OBTAIN WHAT WAS VIEWED AS A MARGINAL OFFER, INDICATING IT WOULD BE MUCH EASIER FOR THEM TO MAKE CONTRIBUTIONS IF THE US OFFER WAS MORE SUBSTANTIAL. CACM DELS ASKED IF THE US LIST OF REQUESTED CONTRIBUTIONS WAS RIGID, AND WHAT WOULD BE THE EFFECT ON THE US OFFER IF DEVELOPING COUNTRIES MADE NO CONTRIBUTIONS? THEY

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ALSO REQUESTED INFORMATION ON HOW THE US RELATED ITS OFFER TO REQUESTS FOR CONTRIBUTIONS.

6. US DEL NOTED THAT THREE MEASURES HAD BEEN USED IN IDENTIFYING CONTRIBUTIONS. ONE WAS THE TOTAL TRADE VALUE ON ALL PRODUCTS OF THE US OFFER TO EACH BENEFICIARY. SECOND, THE PRINCIPAL AND SUBSTANTIAL BENEFICIARIES OF PRODUCTS IN THE US OFFER WOULD BE EXPECTED TO MAKE CONTRIBUTIONS RELATED TO THOSE PARTICULAR PRODUCTS. AND THIRD, INDIVIDUAL COUNTRY'S DEVELOPMENT NEEDS WERE TAKEN INTO ACCOUNT. WITH RESPECT TO US ULTIMATE OFFER, US DEL OBSERVED IT WAS THE BEGINNING STAGE OF THE NEGOTIATIONS, WITH A NUMBER OF CONSULTATIONS HELD AND A NUMBER TO BE HELD. AT SOME POINT, US WOULD NEED TO EVALUATE THE EXTENT OF CONTRIBUTIONS LIKELY TO BE FORTHCOMING, AND THE FINAL US OFFER WOULD BE RELATED TO FORTHCOMING CONTRIBUTIONS. CACM DELS AGREED TO EVALUATE THE US OFFERS AND REQUESTS, AND TO HAVE A FURTHER MEETING ON THE SUBJECT. THE CACM DELS SPECIFICALLY REQUESTED, IN ADDITION, THAT THE US STUDY THE POSSIBILITIES OF INCLUDING ADDITIONAL PRODUCTS OF INTEREST TO CACM COUNTRIES IN ITS OFFER. (TOBACCO, SUGAR, PINEAPPLE AND PINEAPPLE PRODUCTS, LEMON AND ORANGE ESSENTIAL OILS, HONEY, CUT NATURAL FLOWERS, ONIONS AND CUCUMBERS.)

7. ACTION REQUESTED PLEASE NOTIFY MTN DEL OF STATUS OF IDENTIFYING EX-OUTS ON 125.80, LIVE PLANTS, BASED ON PRODUCTS SUBMITTED BY CENTRAL AMERICAN COUNTRIES.

8. COMMENT: THIS WAS FIRST CONSULTATION WITH DEVELOPING COUNTRIES IN WHICH THEY WERE IN SUCH A CLEARLY NEGOTIATING POSTURE. CACM DELS RECOGNIZED VALUE OF US OFFER, AND ARE PREPARED TO CONSIDER FOREGOING GENERAL LDC POSITION OF NONRECIPROCITY IN TP GROUP, BUT ARE CORRECT IN THEIR EVALUATION THAT CONCESSION ON MOLASSES (MORE THAN HALF OF TRADE VALUE) MARGINAL. THE IMPROVEMENT OF THE LIMITED OFFICIAL USE

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OFFER THEY SEEK IS DIFFICULT. MTN DEL INFORMED THEM THAT TOBACCO AND SUGAR WERE NOT NEGOTIABLE IN TP. MTN DEL LESS THAN SANGUINE ABOUT IMPROVING PRODUCT COVERAGE IN US OFFER, BUT WOULD APPRECIATE WASHINGTON AGENCY ADVICE. WALKER

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